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MONTHLY PROJECTIONS
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ECONOMIC SPUTTER BUT NOT STAGNATION AHEAD

A record $18.04 billion trade deficit in the preliminary estimates for July virtually demolished any prospects of an early return to healthy economic expansion. Unless a miraculous improvement in trade develops in the next few months, and none is foreseen, trade balances once again will be subtracting from economic activity during the summer months. When this is coupled with a housing market that is beginning to stall, a consumer that clearly is exhausting purchasing power, the remnants of a slump in oil and gas exploration, and lackadaisical investment spending, economic growth during the summer months will be barely strong enough to prevent the economy from experiencing back-to-back growth rates of less than 1%, the economic condition that would prevent Gramm-Rudman budget restraints for the following four quarters. While auto sales definitely will respond dramatically to the latest financing incentives these sales will come from inventories and will only influence production schedules during the fourth quarter. To the extent that auto sales further exhaust consumer spending power, merchandisers will be especially cautious in ordering for the Christmas season. Thus, the economy will continue to sputter until trade deficits begin to recede and the construction sector has fully adjusted to changing tax codes.

Recently, some analysts have begun to dust off concerns about stagflation. This is a condition where rising prices rob consumer purchasing power, leading to little employment growth even as inflation gradually intensifies. These concerns about stagflation have been generated by three important developments.

First, OPEC appears to be achieving its goal of producing 16.8 million barrels in September and October. As a result, oil prices have remained firm at slightly over $16 per barrel. This is a dramatic reversal from plunging prices a month earlier. Not only has the OPEC initiative eliminated inflation restraining effects from falling oil prices, but has added to inflationary pressures in August and September. The PPI in August is expected to rise 0.4%. The CPI probably will also show a 0.4% gain. These contrast sharply with a July PPI decline of 0.4% and an unchanged CPI for July. In September, increasing oil prices may coincide with gradually firming agricultural prices to lead to inflation estimates at a 6% annual rate. Unless oil prices firm further, no more

significant inflationary pressures are expected in subsequent months, but the psychological damage associated with this brief flurry of intensifying inflation may not be lost upon consumer spending patterns.

Second, the price of gold has surged above $400 per ounce. There appears to be two satisfactory explanations for this rise in gold price that has little to do with inflation. Turmoil in South Africa increases prospects that supplies may temporarily be restrained. This is especially true of platinum, whose price has soared by more than 36% in the past month. Also, the Japanese are producing a commemorative gold coin to celebrate Emperor Hirohito. Apparently, the demand for this gold coin could exhaust more than $5 billion of gold. Despite these obvious influences upon gold's price, speculators have jumped upon the rising gold price trend in an effort to excite an otherwise languishing commodity market. They have charged that rising prices for precious metals indicate increasing inflationary concern and have been fortunate to sell this argument in an environment where prices are rising. As a result, a speculative surge in precious metals may now cause prices to surge to $500, at least until the Hirohito coin has been completely distributed. This speculative activity may create upward price pressures for other commodities. In particular, many grains prices currently are below production costs and could easily rebound from these unsustainable low levels. Thus, a slight inflationary boomlet can easily feed upon itself.

Third, rapid money growth may now exceed the transactions and liquidity needs of the U.S. economy. During the past two discount rate reductions, short-term rates have fallen in step with declining federal funds rates but long-term rates have not declined. Clearly, a significant portion of the rapid expansion in money has reflected deposit shifts as declining short-term interest rates have reduced the cost of holding checkable deposits. However, currency has begun to grow rapidly. Rising gasoline prices may account for some increased currency use, but some of the acceleration in currency may also reflect an excess supply of money.

Of course, some increasing inflationary pressures should be anticipated once declining oil prices are at an end. Underlying inflationary pressures excluding the influence of fluctuating oil and food prices have remained near 4%. In addition, recent Federal Reserve initiatives have been designed to reduce the dollar's value against other currencies in an effort to stem the erosion in trade balances. Before trade balances can improve, import prices must rise, leading to increasing inflationary pressures, or exports must expand.

Unfortunately, world GNP is slowing substantially. The Japanese economy may grow less than 3% in the current year, while most of Europe also will be growing by 3% or less. In addition, foreign regulatory restraints provide steep threshholds that must be crossed before American exports can significantly penetrate foreign markets. Thus, trade balances have not been able to improve as a result of export expansion. Import substitution resulting from higher import prices remains the only avenue to which acceptable improvements in the trade balances can materialize. (Trade balances also can improve if the United States falls into a recession and reduces imports, but such an adjustment would be unacceptable.)

However, the hourly earnings index was only 2.4% above previous year levels in July and had fallen from the previous month. While an acceleration in that earnings index is anticipated over the next 12 months, current projections

are for a gain of only 2.9% over the previous year by September 1987. Most wage surveys indicate that salary and clerical wages will grow more slowly in 1987 than in 1986. Moreover, recent gains in the stock and bond markets and the increasing concern about creating excessive actuarial surpluses in pension programs will moderate pension contributions. In fact, wage costs per hour worked should grow 3.6% next year, up only modestly from the 3.0% generated this year.

Certainly, productivity could collapse. However, continuing competitive pressures from abroad virtually assure cost-cutting measures in manufacturing. Moreover, recent excesses in retail employment appear to have been related to excessive real estate development. The new tax laws probably will sharply diminish such developments in the next year. Thus, productivity gains approaching 1% can be anticipated in 1987. If so, unit labor costs will expand between 2.5% and 3%.

To be sure, increasing inflationary pressures could intensify wage demands, leading to dramatic increases in the earnings index toward the end of that year. Also, tightening labor market conditions could lead to the hiring of less qualified personnel, causing a slump in productivity. However, both prospects appear to be unlikely at this time.

Therefore, accelerating inflation must come from price markups on labor costs and from prices of raw materials and imported goods. Price markups will be restrained by continuing excess capacity and significant foreign competitive pressures. Raw material prices will rise, as energy and agricultural prices both intensify. However, food inflation is currently projected at slightly more than 4% while prices of raw materials are not expected to grow faster than 6-7%. Finally, prices of imported goods will intensify significantly, but that should be only sufficient to add slightly more than a percentage point to the amount by which inflation exceeds labor costs. Thus, 4% inflation is likely in 1987, but concerns that inflation will rise to 6% or beyond certainly cannot be justified by prevailing economic conditions.

Quarterly Profile of GNP

	1986-2	1986-3	1986-4	1987-1	1987-2	1987-3	1986 Annual	1987 Annual
Real:	0.6	1.9	3.0	1.9	0.6	1.2	2.5	1.7
Price:	2.5	2.8	3.8	4.2	3.8	3.5	2.9	3.6
Nominal:	3.0	5.0	6.8	6.1	4.5	4.8	5.4	5.4

Monthly Statistical Highlights For August 1986

Payroll employment +192,000; index of hours worked +0.2%; household employment +236,000; civilian unemployment rate 7.0%; personal income +0.5%; savings rate 4.1%; personal consumption +0.7%; retail sales +0.8%; auto sales 11.0 million; housing starts -3.4%; housing permits -5.2%; construction expenditures -0.4%; business inventories +0.1%; orders for durable goods -2.0%; orders for nondefense capital goods +0.6%; industrial production -0.1%; CPI +0.4%; PPI +0.4%; consumption deflator +0.3%; leading indicators +0.3%; real GNP +3.0%; M1 +18.2%; M2 +9.4%.

Monthly Statistical Highlights For September 1986

Payroll employment +148,000; index of hours worked +0.2%; household employment +159,000; civilian unemployment rate 7.0%; personal income +0.4%; savings rate 3.1%; personal consumption +1.4%; retail sales +3.1%; auto sales 12.6 million; housing starts +2.2%; housing permits +0.9%; construction expenditures -0.4%; business inventories -0.1%; orders for durable goods +0.2%; orders for nondefense capital goods +0.2%; industrial production +0.1%; CPI +0.5%; PPI +0.5%; consumption deflator +0.3%; leading indicators +0.3%; real GNP +1.6%; M1 +12.6%; M2 +10.0%.

Commentary

Employment - Strike activity is again distorting employment statistics in August, as USX went on strike during the reference week. A strike at Deere will also restrain employment in the September figures. In addition, initial claims have remained slightly below 400,000, but the pool of insured unemployed has gradually increased. Therefore, an increase in the unemployment rate is expected in August.

Because of continued restraints on wage pressures, our projections of hourly earnings have moderated for the next year.

Personal Income & Outlays - Personal income continues to be distorted by changes in farm subsidies and by some social security payment distortions. In August, farm subsidies are expected to be little changed from July but falling interest rates should lower earnings from property income. On the other hand, wages should rebound.

The auto incentive programs will dramatically reduce personal savings in September, as auto sales are projected to soar to 12.6 million at annual rates in that month. This will create a dramatic surge in retail sales and in consumer outlays. As most of the sales will be coming from inventories, the impact upon GNP will be negligible during the third quarter. However, the reduction in auto inventories may encourage more substantial production schedules in the fourth quarter than would otherwise materialize. These unusually low savings rates are expected to persist for the remainder of this year. Tax changes are anticipated to alter withholding procedures in January, leading to a significant surge in disposable income and in personal savings at that time.

A July surge in housing related retail activity is expected to be shortlived. Unusually dry weather accentuated the purchase of home improvement and furnishing goods. Now that housing activity is beginning to slow, these sales should show less dramatic gains in the months ahead.

Construction - Single family activity has been weaker than anticipated, although the reasons are easily identifiable. Despite lower mortgage rates, a recession in the southwest has effectively paralyzed the Texas housing market. Therefore, single family sales and starts are now expected to show little movement from current levels and to trend slightly downward from earlier gains. This will occur even with further modest easing in mortgage rates. Multiple family activity has not yet weakened substantially, but the changing tax codes unquestionably will sharply restrain multiple construction. Vacancy rates will fall sharply until rental rates rise significantly. This will create multiple starts of less than 550,000 in the second half of 1987. As a result of this

weakness, residential construction is expected to trend downward for the next twelve months.

Also trending downward will be nonresidential construction. Activity already has fallen sharply for office space, but sharp increases in hotel and industrial space prevented any serious falloff in July. While further gains can be anticipated in industrial construction, hotel activity also is excessive. Therefore, weakness should continue at a reduced rate in nonresidential construction over the next eighteen months.

Prices already appear to be responding to the adverse impact of the tax changes. Over the past three months the implicit construction deflator has shown no substantial movement. While some increasing inflationary pressures are expected in the months ahead as a result of rising material and wage costs, the construction deflator will perform at a much lower rate than projected in our forecast.

Business Activity - Sharp gains in defense orders and in orders for commercial aircraft caused a significant rebound in orders for durable goods in July. However, once the aerospace effects are eliminated from the orders, the remainder of manufacturing experienced flat orders in that month. In addition, orders and shipments of household durables slumped in July, suggesting that a flattening of furniture sales will, indeed, materialize. Defense orders almost certainly will be down next month, but prospects for modestly increasing orders for heavy equipment now that import prices are rising could cause further gains in nondefense capital goods. Nevertheless, weakening utilization levels strongly suggest that capital shipments and orders will trend slightly downward next year.

Business inventories should be significantly restrained in the next two months as a result of significant automobile sales. This will not have an appreciable effect upon manufacturers' inventories, however. A more than yearlong liquidation in manufacturing inventories should be coming to an end. Of course, declining inventory prices also may be coming to an end. The speed by which inventories may accumulate now that prices once again are modestly appreciating could be more intense than currently projected. Such a surge in inventory investments would add to economic strength in the next few quarters but also would raise the prospect of an economic slump beyond that period. At the present time, no speculative surge in inventory rebuilding is anticipated.

Prices - As mentioned above, a slight intensifying inflationary outlook is expected over the next few months, even with favorable benefits from sharply declining auto finance costs. This is largely the result firming oil prices coinciding with a strengthening in livestock prices. However, sharply rising poultry production in the fall should restrain food inflation from intensifying significantly. In addition, oil prices probably will be under downward pressures again after the first of the year. While rising import prices certainly will have an influence upon commodity prices in the United States, wage restraint should hold prices of consumer services to a slightly lower level than contained in the forecast. In general, the prospects for inflation have not changed materially in the past few months.

Miscellaneous - The trade statistics were especially disappointing in July because they continue to include $1.3 billion of gold transhipped through the United States to Japan while imports were based upon $12.77 per barrel of oil.

Oil prices now exceed $15 per barrel, suggesting that imports could rise further in the next few months. Thus, especially high merchandise trade deficits are anticipated during the third quarter.

Financial Markets

Because of the burgeoning trade deficit, the Federal Reserve normally could be anticipated to encourage short-term interest rates downward, leading to further declines in currency values until trade deficits begin to improve. However, current market concerns with inflationary fears may tie the hands of the Federal Reserve. Fortunately, the yield curve has become sufficiently steep to sustain long-term interest rates even without further declines in short-term rates. Moreover, spreads between various classes of long-term instruments have returned to more normal levels. Thus, corporate rates no longer are dramatically away from long-term treasuries. Municipal rates, while slightly high relative to corporate AAA's, also are approaching more realistic spreads, especially in light of the reduced marginal tax rate that will naturally increase the desired yield on tax exempt bonds relative to taxable instruments.

Of course, interest rates could rise significantly if inflationary anticipations begin to generate actual commodity inflation. Under those circumstances, desired inventory holdings could rise, leading to increasing short-term borrowing pressures. However, such an event would be heralded by rising commercial paper rates relative to federal funds. At the present time, commercial paper yields are significantly below yields on federal funds. This suggests that current inflationary concerns are not substantially altering investment behavior. For that reason, yields on long-term maturities should once again begin trending downward as soon as the latest spate state of inflationary fears diminish. There also is a possibility that a further discount rate reduction could be sustained once investors diminish their inflationary concerns.

Equity Markets - Equity markets are apparently anticipating earnings expansion that does not seem to be materializing. Although declining short-term interest rates will reduce financial costs, leading to some improvement in corporate earnings, tax changes will raise tax costs in 1987. Therefore, the net effect upon corporate earnings from these two influences should be minimal.

With interest rates currently rising slightly, equity values are currently vulnerable to a significant retrenchment. In addition, capital gains considerations could lead to significant equity selling during the fall. As a result, equity values could decline by 10-15%. Early in 1987, however, interest rates should again be declining while prospects of improving corporate earnings should be rising. Therefore, the equity markets once again are expected to move forward, ultimately leading to a targeted value of 2200 on the Dow Jones index by the end of that year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	99783	99783	117.8	117.8	108892	108892	7.1	7.1	168.4	168.4
May	99908	99918	117.7	117.7	109110	109110	7.3	7.3	168.6	168.7
June	99819	99864	117.5	117.3	109673	109673	7.1	7.1	169.4	169.2
July	100223	100253	118.0	117.7	109889	109882	6.9	6.9	169.8	169.0
August	100464	100445*	118.3	117.9*	110016	110118*	6.9	7.0*	170.1	169.6*
September	100705	100593	118.6	118.1	110221	110277	7.0	7.0	170.3	169.9
October	100826	100801	118.7	118.3	110367	110517	7.0	6.9	170.8	170.2
November	100878	101065	118.8	118.6	110456	110808	7.1	6.8	171.3	170.6
December	100963	101254	118.8	118.8	110578	111058	7.1	6.8	171.7	171.0
January 1987	101138	101461	119.0	119.0	110794	111304	7.1	6.8	172.2	171.4
February	101360	101676	119.3	119.2	111053	111500	7.0	6.8	172.6	171.8
March	101585	101788	119.5	119.3	111387	111671	7.0	6.8	173.0	172.3
April	101716	101910	119.7	119.4	111453	111803	7.0	6.9	173.5	172.7
May	101829	102063	119.8	119.5	111548	111946	7.0	6.9	173.9	173.1
June	101960	102118	119.8	119.6	111642	112040	7.0	7.0	174.4	173.6
July	102128	102231	120.0	119.7	111863	112193	7.1	7.0	174.9	174.0
August	102310	102343	120.3	119.8	112016	112334	7.0	7.0	175.4	174.4
September	102492	102533	120.5	120.0	112241	112576	7.0	6.9	176.0	174.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore	C.E.
April 1986	3.485	3.489	2.053	2.055	182.4	184.6	2.987	2.988	2.805	2.804
May	3.476	3.484	2.056	2.058	151.6	153.2	2.976	2.980	2.824	2.827
June	3.479	3.486	2.063	2.063	133.2	120.3	2.975	2.977	2.842	2.856
July	3.498	3.503	2.075	2.068	139.2	126.7	2.986	2.990	2.847	2.864
August	3.516	3.521*	2.083	2.081*	137.8	122.4*	2.998	3.006*	2.860	2.884*
September	3.534	3.534	2.092	2.089	135.5	93.8	3.011	3.016	2.876	2.922
October	3.547	3.549	2.100	2.098	136.1	107.0	3.024	3.028	2.888	2.921
November	3.567	3.567	2.108	2.109	131.1	107.2	3.038	3.042	2.907	2.935
December	3.587	3.585	2.116	2.120	127.3	102.5	3.054	3.056	2.928	2.954
January 1987	3.598	3.604	2.126	2.130	154.2	159.4	3.098	3.104	2.944	2.945
February	3.624	3.622	2.138	2.141	172.5	160.1	3.123	3.126	2.951	2.966
March	3.650	3.639	2.150	2.150	188.4	157.0	3.147	3.143	2.959	2.986
April	3.660	3.657	2.158	2.159	176.2	158.5	3.154	3.158	2.978	2.999
May	3.669	3.672	2.167	2.167	165.2	157.4	3.163	3.170	2.998	3.013
June	3.679	3.689	2.176	2.177	153.9	158.3	3.170	3.183	3.017	3.025
July	3.696	3.705	2.186	2.185	150.5	156.7	3.182	3.195	3.032	3.038
August	3.713	3.719	2.197	2.194	149.3	152.3	3.193	3.205	3.044	3.053
September	3.730	3.735	2.208	2.205	149.6	153.4	3.204	3.217	3.055	3.064

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	2712.0	2710.9	369.7	368.7	920.4	922.3	1421.9	1420.0	2396.1	2395.8
May	2731.0	2733.3	378.9	379.7	925.6	926.9	1426.5	1426.7	2407.6	2410.3
June	2747.3	2761.8	375.4	378.8	931.9	938.3	1439.9	1444.8	2417.3	2424.9
July	2751.8	2768.7	373.8	376.9	927.3	938.4	1450.7	1453.4	2416.0	2427.0*
August	2764.4	2787.4*	379.6	381.9*	927.5	943.0*	1457.3	1462.5*	2420.7	2436.4
September	2779.1	2825.2	383.3	406.1	932.8	947.5	1463.0	1471.6	2425.0	2463.7
October	2790.3	2823.0	379.8	389.7	937.7	952.6	1472.8	1480.7	2426.3	2451.9
November	2808.2	2836.0	381.6	389.6	943.1	956.9	1483.5	1489.5	2433.4	2455.5
December	2828.0	2853.7	384.3	395.0	948.5	960.4	1495.2	1498.3	2442.1	2460.2
January 1987	2843.3	2844.1	388.4	374.2	952.5	964.3	1502.4	1505.6	2449.0	2442.9
February	2849.3	2864.7	384.7	376.8	957.9	970.6	1506.7	1517.3	2447.9	2453.5
March	2857.4	2884.1	383.7	383.2	959.1	975.5	1514.6	1525.4	2446.4	2464.3
April	2875.1	2896.8	385.9	384.2	964.3	978.3	1524.9	1534.3	2453.2	2465.8
May	2894.3	2909.1	388.6	382.0	969.8	983.0	1535.9	1544.1	2461.1	2468.8
June	2912.8	2920.4	392.2	380.9	973.8	985.8	1546.8	1553.7	2468.5	2469.1
July	2926.3	2933.1	393.7	383.0	977.4	988.9	1555.2	1561.2	2471.5	2473.2
August	2937.7	2946.7	391.6	384.3	981.1	992.6	1565.0	1569.8	2472.8	2477.9
September	2947.9	2956.8	388.9	383.5	983.9	995.4	1575.1	1577.9	2473.1	2479.9

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	117.72	117.72	18.52	18.52	11.0	11.0	72.84	72.84	26.36	26.36
May	118.52	118.68	18.38	18.39	11.3	11.3	73.19	73.12	26.95	27.16
June	118.70	118.60	18.25	18.43	11.0	11.0	73.30	73.37	27.16	26.81
July	118.61	118.09	18.28	18.84	10.9	10.7	73.39	73.50	26.94	26.36
August	119.33	119.65*	18.40	18.86*	11.2	11.0*	73.41	73.80*	27.52	26.99*
September	119.85	123.39	18.65	18.81	11.1	12.6	73.83	74.15	27.37	30.43
October	119.81	121.34	18.86	18.85	10.8	11.2	74.21	74.55	26.74	27.94
November	120.46	121.66	18.89	18.93	10.9	11.0	74.64	74.89	26.93	27.84
December	121.21	122.58	19.03	18.99	11.0	11.4	75.07	75.16	27.11	28.43
January 1987	122.01	120.39	19.14	19.06	11.2	10.2	75.38	75.47	27.49	25.86
February	122.00	121.20	18.93	19.01	11.0	10.5	75.81	75.96	27.26	26.23
March	121.98	122.35	19.14	19.05	10.8	10.8	75.91	76.34	26.93	26.96
April	122.65	122.69	19.17	19.13	10.9	10.8	76.32	76.56	27.16	27.00
May	123.41	122.79	19.31	19.22	11.0	10.6	76.75	76.93	27.35	26.64
June	123.96	122.88	19.36	19.29	11.1	10.5	77.07	77.15	27.53	26.44
July	124.43	123.37	19.46	19.35	11.1	10.6	77.36	77.39	27.61	26.63
August	124.47	123.82	19.26	19.44	11.0	10.6	77.65	77.68	27.56	27.70
September	124.56	124.03	19.21	19.49	10.9	10.5	77.87	77.98	27.48	26.55

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	2.019	2.019	1.242	1.242	1.885	1.885	371.6	371.6	331.8	331.8
May	1.861	1.853	1.247	1.241	1.788	1.788	374.7	374.5	331.6	331.6
June	1.845	1.852	1.223	1.229	1.745	1.792	372.9	374.8	328.3	331.6
July	1.840	1.818	1.215	1.181	1.724	1.754	369.2	376.7	324.4	333.5
August	1.855	1.757*	1.259	1.150*	1.736	1.663*	368.6	375.1*	323.3	330.8*
September	1.858	1.795	1.270	1.173	1.721	1.678	369.8	373.7	323.8	329.0
October	1.826	1.776	1.242	1.165	1.673	1.642	367.3	373.8	320.8	328.5
November	1.815	1.748	1.212	1.142	1.656	1.589	366.5	373.5	319.3	327.6
December	1.804	1.667	1.209	1.079	1.651	1.536	365.7	373.2	317.7	326.5
January 1987	1.793	1.648	1.205	1.092	1.583	1.513	365.0	369.2	316.0	322.2
February	1.770	1.627	1.201	1.085	1.581	1.516	365.3	365.8	315.5	318.4
March	1.746	1.629	1.197	1.103	1.552	1.522	365.3	362.4	314.6	314.6
April	1.725	1.649	1.178	1.116	1.536	1.525	364.9	362.4	313.5	313.8
May	1.740	1.640	1.185	1.107	1.541	1.513	364.3	361.8	312.2	312.4
June	1.701	1.631	1.170	1.094	1.557	1.506	363.8	362.3	310.7	311.8
July	1.695	1.640	1.163	1.102	1.563	1.509	364.6	362.9	310.0	311.5
August	1.704	1.648	1.152	1.105	1.560	1.516	365.5	362.9	309.7	311.0
September	1.700	1.622	1.141	1.086	1.546	1.489	366.9	363.9	309.9	311.0

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	133.4	133.4	70.5	70.5	167.8	167.8
May	130.5	130.0	74.4	72.1	169.8	172.5
June	130.7	129.6	73.7	70.9	168.5	174.3
July	126.4	128.9	71.6	72.0	171.2	175.8
August	125.6	128.3*	69.9	71.5*	173.1	175.3*
September	124.9	127.8	69.6	70.8	175.0	175.1
October	124.2	127.5	70.0	71.5	173.1	174.8
November	124.0	127.9	70.7	71.3	171.8	174.3
December	123.8	127.2	71.4	71.8	170.5	174.2
January 1987	123.8	126.3	71.0	72.2	170.2	170.7
February	124.1	126.0	71.3	72.3	169.9	167.5
March	124.1	125.4	71.6	72.5	169.6	164.5
April	124.3	125.1	71.8	73.0	168.8	164.3
May	124.4	124.3	72.1	73.3	167.8	164.2
June	124.5	124.0	72.4	73.7	166.9	164.6
July	125.0	124.2	72.9	74.2	166.7	164.5
August	125.7	124.5	73.3	74.5	166.5	163.9
September	126.5	124.5	73.6	74.8	166.8	164.6

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	279.4	279.4	103.75	103.75	26.18	26.18	27.36	27.36
May	278.4	278.4	102.62	102.62	26.15	26.15	26.58	26.58
June	278.3	278.4	104.77	102.73	26.74	26.42	27.22	27.24
July	278.5	278.3	106.69	106.90	27.16	27.39	27.25	27.36
August	279.0	278.2*	105.36	104.73*	27.42	27.65*	27.34	27.47*
September	279.5	278.5	107.52	104.96	27.36	27.05	27.43	27.53
October	280.3	279.1	107.73	105.58	27.48	27.11	27.47	27.46
November	281.2	279.7	106.96	105.27	27.35	27.13	27.51	27.43
December	282.3	280.5	106.71	105.82	27.26	27.26	27.55	27.52
January 1987	283.5	281.3	107.22	106.43	27.32	27.40	27.50	27.58
February	284.5	282.6	107.89	105.72	27.46	27.09	27.55	27.52
March	285.9	284.1	107.56	104.93	27.43	26.87	27.57	27.36
April	287.1	285.6	107.35	105.13	27.29	26.83	27.53	27.28
May	288.2	286.3	108.41	104.85	27.58	26.59	27.56	27.13
June	289.3	287.4	107.92	104.81	27.53	26.65	27.60	27.05
July	290.8	287.7	107.18	105.43	27.42	26.78	27.67	27.21
August	291.7	288.0	105.93	105.67	27.17	26.88	27.64	27.30
September	293.2	288.9	105.81	106.21	27.12	27.03	27.61	27.39

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	588.6	588.6	7.33	7.33	125.2	125.2	79.4	79.4
May	586.6	586.7	7.49	7.49	124.7	124.6	78.9	78.8
June	585.5	589.0	7.83	7.96	124.1	124.2	78.3	78.4
July	586.2	589.9*	7.83	8.22	124.3	124.1	78.3	78.2
August	587.0	590.7	7.85	8.15*	124.4	124.0*	78.2	77.9*
September	587.7	590.2	7.60	8.11	124.5	124.2	78.1	77.9
October	589.3	589.6	7.89	8.20	124.8	124.4	78.1	77.9
November	591.4	591.5	8.04	8.29	125.1	124.7	78.1	78.0
December	593.7	593.7	8.15	8.37	125.4	125.0	78.2	78.1
January 1987	596.8	595.3	8.20	8.46	125.7	125.3	78.2	78.1
February	599.2	597.1	8.10	8.41	125.9	125.5	78.2	78.1
March	601.3	599.0	8.22	8.46	126.1	125.7	78.1	78.1
April	603.4	601.4	8.28	8.53	125.9	125.8	77.9	78.0
May	606.2	603.7	8.33	8.60	125.7	125.7	77.6	77.8
June	609.3	606.0	8.39	8.66	125.4	125.5	77.3	77.5
July	611.8	608.1	8.47	8.72	124.8	125.3	76.8	77.2
August	614.7	610.4	8.55	8.76	124.5	125.1	76.6	76.9
September	617.4	613.0	8.63	8.82	124.2	124.9	76.4	76.6

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore	C.E.	Fore	C.E.	Fore	C.E.
April 1986	325.4	325.4	286.8	286.8	311.3	311.3	113.5	113.7
May	326.0	326.0	288.6	288.6	311.7	311.7	113.8	114.2
June	327.6	327.6	288.5	288.5	311.6	311.6	114.9	114.6
July	327.6	327.5	287.4	287.4	309.2	308.5	114.7	114.7
August	328.3	328.8*	288.6	288.6*	310.0	310.3*	114.9	115.0
September	329.6	330.1	289.5	289.7	308.1	308.2	115.2	115.3
October	330.5	331.1	290.2	290.4	310.6	310.9	115.5	115.7
November	331.3	332.1	290.9	291.1	310.9	311.5	115.8	116.0
December	332.2	333.4	291.5	292.1	311.3	312.2	116.2	116.5
January 1987	333.3	334.4	292.3	292.8	311.9	312.8	116.5	116.9
February	334.3	335.6	293.1	293.6	312.6	313.5	116.8	117.3
March	335.4	336.3	294.0	293.9	313.3	314.1	117.2	117.6
April	336.5	337.6	295.0	294.8	313.9	314.9	117.6	118.0
May	337.9	338.6	296.2	295.6	314.4	315.5	118.0	118.3
June	339.0	340.0	297.3	296.7	314.9	315.9	118.4	118.8
July	340.0	341.0	298.1	297.5	315.3	316.4	118.8	119.1
August	341.1	342.0	298.8	298.2	316.0	316.8	119.1	119.4
September	342.0	343.1	299.6	298.9	314.6	315.1	119.4	119.7

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore	C.E	Fore	C.E	Fore.	C.E
April 1986	113.2	113.2	104.4	104.4	105.6	105.5	121.5	121.5	112.0	112.0
May	113.4	113.4	104.9	104.8	105.8	105.8	121.7	121.7	113.0	112.9
June	113.7	113.9	105.1	105.0	106.0	106.1	122.1	122.5	113.6	113.0
July	113.9	114.1*	105.3	105.2*	105.7	105.9*	122.6	122.9*	113.8	113.0
August	114.2	114.4	105.2	105.4	105.7	106.2	123.1	123.3	114.0	113.4*
September	114.6	114.7	105.4	105.4	106.1	106.5	123.5	123.8	114.2	113.6
October	115.0	115.1	105.8	105.7	106.5	106.8	124.0	124.3	114.5	113.8
November	115.4	115.5	106.0	106.0	106.9	107.1	124.5	124.7	114.8	114.0
December	115.8	116.0	106.0	106.2	107.3	107.5	125.0	125.4	115.1	114.3
January 1987	116.1	116.4	106.3	106.4	107.5	107.7	125.4	125.9	115.5	114.6
February	116.4	116.8	106.5	106.6	107.6	108.0	125.9	126.3	115.8	114.9
March	116.8	117.0	106.7	106.8	107.5	108.2	126.3	126.7	116.1	115.2
April	117.2	117.5	106.9	107.1	108.1	108.6	126.9	127.2	116.4	115.5
May	117.6	117.8	107.1	107.3	108.7	108.9	127.5	127.6	116.7	115.8
June	118.0	118.3	107.2	107.5	109.3	109.3	128.0	128.1	117.1	116.2
July	118.4	118.6	107.4	107.6	109.5	109.6	128.5	128.5	117.6	116.5
August	118.8	118.9	107.6	107.9	109.3	109.7	129.1	129.0	118.0	116.7
September	119.2	119.2	107.8	108.1	109.7	109.9	129.6	129.4	118.4	117.0

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore	C.E.	Fore.	C.E.	Fore	C.E.
April 1986	-14.02	-14.28	178.5	178.5	4167	4161	3671	3660	19.6	19.6
May	-14.27	-13.12	178.8	177.9	4173	4179	3667	3659	2.8	2.8
June	-12.46	-13.25	179.2	177.5	4207	4199	3661	3664	-7.7	-1.7
July	-13.66	-18.04p	179.6	179.4	4218	4211	3677	3671	-1.3	7.8
August	-12.93	-17.09*	179.9	179.9*	4235	4232	3686	3680	15.8	13.6
September	-13.88	-15.56	180.3	180.4	4244	4249	3684	3685	22.7	10.2
October	-13.59	-15.92	180.1	180.1	4271	4273	3698	3693	10.3	4.3
November	-13.22	-15.27	180.3	179.6	4293	4305	3707	3711	-7.6	-1.2
December	-12.67	-15.58	180.6	179.9	4316	4326	3714	3713	-18.7	-4.7
January 1987	-13.78	-15.03	180.2	180.3	4342	4347	3727	3719	-7.8	-6.6
February	-13.11	-15.29	180.0	180.6	4363	4366	3735	3722	-5.1	-8.3
March	-12.65	-15.42	180.5	180.5	4384	4384	3741	3728	-3.0	-5.9
April	-14.06	-16.05	180.2	180.0	4401	4397	3742	3726	-1.6	-4.6
May	-12.93	-14.17	179.6	179.3	4418	4415	3744	3732	-1.4	-5.3
June	-13.01	-14.20	179.2	178.7	4435	4429	3746	3728	-2.4	-5.6
July	-14.93	-15.23	178.6	178.5	4454	4447	3749	3733	-5.3	-6.2
August	-13.02	-13.36	178.8	178.8	4474	4467	3757	3741	-6.7	-6.6
September	-12.24	-12.82	179.2	179.1	4494	4483	3764	3745	-8.1	-7.1

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	239.9	239.9	646.1	646.1	2621.6	2622.5	6.99	6.99	6.08	6.08
May	242.3	242.3	658.6	658.7	2647.0	2649.7	6.85	6.85	6.19	6.19
June	244.2	244.2	666.3	666.8	2667.3	2670.7	6.92	6.92	6.27	6.27
July	245.6	245.7	673.7	676.1	2685.0	2698.5	6.52	6.56	5.85	5.86
August	247.2	247.0*	679.6	685.6*	2702.5	2718.7*	6.36	6.22*	5.79	5.43*
September	248.8	248.6	686.1	692.4	2720.9	2740.4	6.32	5.82	5.81	5.41
October	250.3	250.2	689.1	698.1	2735.4	2759.6	6.48	5.51	5.93	5.35
November	251.9	251.8	694.2	703.0	2749.6	2776.2	6.59	5.36	6.07	5.19
December	253.5	253.2	699.3	706.9	2763.5	2791.6	6.52	5.33	6.06	5.11
January 1987	255.2	254.7	704.6	711.4	2784.7	2809.4	6.41	5.24	5.91	5.06
February	256.9	256.2	710.3	716.3	2806.5	2826.3	6.22	5.36	5.79	5.11
March	258.6	257.9	715.4	721.3	2829.2	2846.0	6.51	5.51	5.94	5.22
April	260.3	259.5	718.4	725.8	2843.6	2863.8	6.69	5.44	6.01	5.20
May	262.1	261.3	722.9	730.6	2861.7	2880.7	6.78	5.52	6.04	5.27
June	263.9	263.1	727.4	735.4	2880.7	2897.9	6.87	5.46	6.04	5.24
July	265.3	264.8	733.0	740.6	2898.3	2915.3	6.45	5.39	5.83	5.18
August	266.4	266.3	737.7	745.1	2915.2	2929.9	6.40	5.47	5.80	5.28
September	267.5	267.9	740.6	749.6	2927.0	2944.6	6.42	5.58	5.80	5.39

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	8.79	8.79	7.20	7.20	6.60	6.60	6.60	6.60	8.83	8.83
May	9.09	9.09	7.54	7.54	6.62	6.62	6.65	6.65	8.50	8.50
June	9.13	9.13	7.87	7.87	6.71	6.71	6.73	6.73	8.50	8.50
July	8.94	8.88	7.69	7.51	6.43	6.33	6.47	6.37	8.14	8.16
August	8.83	8.67*	7.59	7.17*	6.26	5.81*	6.34	5.80*	8.00	7.97*
September	8.77	8.35	7.47	6.78	6.21	5.26	6.30	5.29	8.00	7.50
October	8.89	8.17	7.51	6.62	6.53	5.11	6.63	5.20	8.00	7.13
November	9.03	7.96	7.68	6.44	6.62	5.00	6.72	5.16	8.00	7.00
December	9.20	7.99	7.85	6.47	6.55	5.03	6.65	5.10	8.00	7.00
January 1987	8.99	7.95	7.64	6.45	6.36	4.89	6.47	4.93	8.00	7.00
February	8.52	8.07	7.17	6.58	6.17	5.13	6.28	5.17	8.00	7.00
March	8.46	8.23	7.08	6.73	6.53	5.27	6.64	5.34	8.00	7.00
April	8.69	8.20	7.30	6.70	6.74	5.35	6.83	5.42	8.00	7.00
May	8.92	8.29	7.49	6.80	6.83	5.47	6.94	5.53	8.50	7.00
June	8.86	8.25	7.44	6.77	6.95	5.45	7.13	5.60	8.50	7.00
July	8.73	8.21	7.27	6.75	6.42	5.46	6.61	5.55	8.50	7.00
August	8.59	8.43	7.13	6.99	6.37	5.53	6.52	5.64	8.50	7.13
September	8.55	8.50	7.05	7.07	6.35	5.65	6.47	5.77	8.50	7.50

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